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### Recommended Citation

"How Do U.S. Manufacturers Do Business in Volatile Overseas Markets? Too Many Panic, According to University of Dayton Study" (1990). *News Releases*. 6914.  
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April 17, 1990

## HOW DO U.S. MANUFACTURERS DO BUSINESS IN VOLATILE OVERSEAS MARKETS? TOO MANY PANIC, ACCORDING TO UNIVERSITY OF DAYTON STUDY

The corporate buzz phrase for the '90s--"think globally, act locally"--may not be the best approach for U.S. manufacturers doing business in "volatile" environments overseas.

That's because U.S. corporate executives, often caught flatfooted, "tend to have knee-jerk reactions" and panic in the face of unpredictable change in the business environment, according to Van Miller, an assistant professor of management at the University of Dayton. Miller and Charles Crespy, a marketing professor at Miami University, are among a handful of college professors in the country studying business strategies in volatile developing countries like Mexico, the Philippines and Nicaragua.

Mexico, in particular, is becoming more important to American multinationals as the country liberalizes its foreign investment laws and takes other steps toward stabilizing an economy that was in a shambles for much of the 1980s. "In 1982, you could predict the devaluation of the dollar in Mexico," observed Miller, who lived there for two years in the 1970s and traveled back in 1986 to interview managers of U.S. Fortune 500 manufacturing firms about their business strategies. "No one predicted, not even a day in advance, the nationalization of banks and the freezing of dollar accounts. If you would have asked corporate people in the U.S. whether those events could have taken place, they would have said, 'Never.'"

Last summer Miller went to the Philippines to ask multinational company executives if they had predicted the 1986 overthrow of Ferdinand Marcos and Corazon Aquino's rise to power. Few had. As a Fulbright scholar in 1988, Miller interviewed managers from domestic and international firms in Central America about how they view strategy.

Americans don't react well to volatility because "it is something we know almost nothing about in this country because we don't have unpredictable change. Major changes in our system are going to be debated."

Miller's advice to companies trying to maintain a "business as usual" stance in a volatile country? "Don't overreact. Take a balanced approach. Treat it as a business problem that needs a business solution--one that integrates finance, production and marketing. In Mexico, we learned that some multinationals divested. The majority treated the situation as a financial problem and ignored the marketing and production implications of a downturn. Those that did better three years later or held their own in terms of returning profits to their parent companies were those that took a balanced approach." For interviews, call Van Miller at (513) 229-2027.



*The University of Dayton*

For further information or assistance in scheduling interviews, contact Office of Public Relations, (513) 229-3241.